



Thomas A. Schatz

President

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Federal Communications Commission  
Office of the Secretary

November 20, 2007

The Honorable Mr. Kevin J. Martin  
Chairman  
Federal Communications Commission  
445 12<sup>th</sup> Street SW  
Washington, DC 20554

Dear Chairman Martin,

WC Docket No. 05-337  
CC Docket No. 96-45

Last May, the Federal-State Joint Board on Universal Service recommended an interim cap on the "High Cost" portion of the Universal Service Fund (USF.) The cap would apply to the part of the fund going to Competitive Eligible Telecommunications Carriers, which are mostly wireless carriers. You will soon make a decision on whether to agree with the Joint Board's recommendation. On behalf of the more than 1.2 million members and supporters of Citizens Against Government Waste (CAGW), I urge you to agree with the board and to place a temporary cap at 2006 levels while USF reform is discussed.

As you know, the USF was created with the goal of helping rural telephone customers obtain affordable service. A tax on consumers' phone lines pays for this fund. The "High Cost" portion of the fund is supposed to ensure that consumers in all regions of the nation have access to and pay rates for telecommunications services that are reasonably comparable to those paid in urban areas. The federal USF has grown from \$1.8 billion in 1996 to \$7.2 billion today, and continues to increase. This rate of growth and cost cannot continue.

Two studies released in June, 2007 by Criterion Economics, LLC in Washington, D.C., show that subsidized cell phone companies provide less coverage than unsubsidized companies serving in the same area and that there is no evidence for the claim by some wireless companies that they use the subsidies to provide coverage to areas that otherwise would not get service.

In truth, CAGW would prefer that the USF be eliminated tomorrow. Today's technology and the rigorous competition that is occurring in the telecom industry, particularly wireless, will address any access or pricing problems with little government regulation or interference. The current system does little to encourage an expansion of coverage to areas that are currently without wireless service. While reforms are considered, a cap would give the FCC and other policy makers some time on how to restructure (or eliminate) the fund in order to provide more wireless coverage to rural areas.

1501 Connecticut Avenue, N.W.  
Suite 400  
Washington, D.C. 20036  
202-467-5500

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A truism in Washington, D.C. is that good intentions do not necessarily produce good policy. There are many government programs that were intended to alleviate some pressing social need but went awry and did the exact opposite. Without a re-evaluation of its purpose, the USF is in danger of going down this well-worn path. Again, we urge you to follow the Federal-State Joint Board on Universal Service's recommendation and place an interim cap on the "High Cost" portion of the USF.

Sincerely,

*Thomas Schatz*